ILLINOIS BUSINESS REVIEW

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HIGHLIGHTS OF BUSINESS IN NOVEMBER

Little change from October's high levels of business activity was apparent in November. In the first eight months following the outbreak of fighting in Korea, industrial production and most other key measures of economic activity spurted upwards, but since last February remarkably little change has taken place in the over-all picture. The Federal Reserve index of industrial production in November was at the same level as it was last February, about 220 percent of the 1935-39 average, though considerable shifts have occurred within the aggregate. Manufacturers' sales, on a seasonally-adjusted basis, were down nearly 5 percent for the same period. Wholesale prices at the end of the month were about 3 percent below February, though consumer prices registered a 2 percent gain in the interim. November's 1.8 million unemployed represents a marked decline from the 2.4 million unemployed last February, but this decrease is actually smaller than it seems once allowance is made for seasonal differences in activity between the two months.

Construction Down Seasonally

The value of new construction put in place in November was down seasonally to $2.5 billion, a 7 percent decline from the previous month. All major types of building activity shared in the decline, though public construction fell most, as highway construction was curtailed with the onset of cold weather. Shortages of materials led to a more-than-seasonal decline in private industrial and commercial building but residential building dropped off only slightly.

Construction activity in most categories was below that of last November. However, new construction in the first 11 months of this year, valued at $27 billion, was 8 percent above the corresponding figure for 1950, and is now certain to exceed the record $28 billion put in place last year.

Prices Rise Slightly

Wholesale prices were up slightly in November, mainly on the strength of higher prices of grains, fruits, and vegetables. Consumer prices as of October 15 averaged 0.4 percent higher than one month earlier. At 187.4 percent of the 1935-39 average, the consumers' price index was about 10 percent above the level of June 15, 1950, just before the outbreak of fighting in Korea. Meat prices have registered the largest rise over this period, 14 percent; beef and veal are up the most, 18 percent.

Higher ceiling prices for cars and many other consumer goods may soon be allowed by the Office of Price Stabilization in giving effect to the Capehart Amendment of the economic controls law. The Amendment permits manufacturers to add cost changes through last July 26 to their pre-Korea prices in computing price ceilings, instead of through last March 15.

Retail Sales Pick Up

Retailers' sales for this Christmas shopping season are running ahead of last year on the basis of early reports. Total retail sales in October were estimated at $13.1 billion, 6 percent above last October. After adjustment for seasonal factors and trading-day differences, sales were also up 1.5 percent from September.

Sales in the nondurables group rose the most from September to October, mainly because of last minute purchases at liquor stores in anticipation of higher excise taxes. Building material, hardware, and apparel stores registered the next largest sales gains, up 3 to 4 percent from September on a seasonally-adjusted basis.

Forecast Optimistic

Continued national prosperity for at least the next eighteen months is in prospect, according to the recent forecasts of the U. S. Department of Agriculture. In seeking a basis for 1952 farm production goals, the Department foresees an increase of $22 billion in the production of all goods and services in the 1953 fiscal year, which begins July 1, 1952, and ends June 30, 1953. This would bring the total national product to a new high of $360 billion, 8 percent above the estimated output of the current fiscal year. Government spending is estimated to reach an annual rate of $94 billion, as compared with $78 billion in the current fiscal year and $50 billion in the last fiscal year, ended June 30, 1951.

The forecast predicts no relief from current high price levels. Food prices in fiscal 1953 are expected to rise a further 3 percent above this fiscal year's level. One million more people are expected to be in the labor force next year. To meet these higher levels of activity, the Department is asking for at least 4 percent more food production in 1952 than was obtained from this year's record harvest.

THE ST. LAWRENCE SEAWAY · · **By Robert Bangs** · · **Page 8**

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V Lewis Bassie, *Director* — Hilda R. Stice, *Editor of Publications*

Robert Ferber, *Research Assistant Professor*

Research Assistants

Ruth A. Birdzell — Anne N. Gher

Mary C. Gallick

Anomalies of the War Program

Reports from Washington indicate that the armament program is going to be stepped up. The approved basis for planning contemplates an air force of 140 wings as compared with the 95 wings previously planned.

At the same time, Congressional committees are investigating the failure of military procurement to meet the schedules of the lower program now in effect. Expenditures of almost $100 billion have been authorized. To date, only a fraction of this total has come off the production lines. A Senate Committee reported that "deliveries of defense hard goods — planes, tanks, ships, and guns — have fallen dangerously behind schedule."

Determining the Size of the Program

Nowhere is there more concern over the lag in achieving armament goals than in the White House itself. President Truman, knowing that so far at least we have been unable either to intimidate the Russians or to reach an agreement with them, feels an urgent need for decisive military force. The official view of peace moves, such as a truce in Korea, is that they must be assumed to have no significance for rearmament policy, since power continues to play the dominant role in international affairs.

Details of the situation have not been released to the public because of secrecy regulations, but news reports indicate that the main source of concern lies in the fact that so much of our best military equipment exists only on blueprints. Monthly output of such vital weapons as the F-86 Sabrejet Fighter — the one plane consistently reported to outperform the Russians' MIG — amounts to no more than handfuls that might be swallowed up in one big air battle. Not only are our own forces inadequately equipped, but we are unable to meet our commitments to the forces of Western Europe without stripping away the meager supplies now on hand.

This frustration in realizing specific goals leads to a growing sense of urgency which the public cannot share. The response to it takes the form of appeals for cooperation and exhortations describing the dangers of the situation in general terms. Instead of focusing on getting the specific items needed, efforts are directed toward enlarging the over-all program. The result is in effect an announcement of forceful intent without the present means of making that intent effective.

The drive for expansion of the total program fits neatly into the views of the Military Departments. They know that even the maximum forces now planned would be inadequate in a third world war. The increase in the air force to 140 wings is a compromise which gives them only half of the increase they wanted. What they feel to be needed is an unrestricted authorization to proceed at their own discretion against the possibility that our maximum strength will be called for in the near future.

The production lags are due to a variety of causes. All the usual kinds of bottlenecks have to be overcome. Also important, however, are difficulties arising from continual changes in design. Each time the design of a complex item like a fighter plane is changed, its production is for a time disrupted. So far, the Military Departments have been unwilling to freeze designs and thus permit production to go forward rapidly. Freezing design involves, of course, the possibility that the planes produced will quickly become obsolete; and the presence of obsolete equipment in large volume might in turn lead to restrictions on new production. Pending clarification of the situation in which the weapons are to be used, therefore, output is sacrificed.

One result of this is a questioning of the validity of established production schedules. On being asked why production was lagging behind, Mobilizer Wilson snapped, "Behind what?" He explained that there were no "real" schedules, that the existing schedules could not be considered to represent a realistic and coordinated program for military procurement.

An illustration of the point was provided by General Olmsted, who is in charge of military aid under the North Atlantic Treaty. To the amazement of all, General Olmstead announced that the military aid program was up to schedule. Senator Johnson (D., Tex.), investigating the basis for this statement, found that the program was up to schedule not because supplies were being shipped in accordance with the previously established schedules but because new "schedules" had been adopted.

Production Setting Its Own Course

In his testimony before the Senate-House "Watchdog" Committee, Mr. Wilson denied that the program is failing to meet defense needs. Superficially, this has a note of complacency inconsistent with his own statements about the seriousness of the situation. This superficial impression is, however, incorrect, since there are two other points underlying the statement. First, it attempts to pass responsibility back to the Military Departments. For, if they are unable to state their requirements in specific terms, how can Wilson and his control agencies be expected to meet those requirements? Even more, however, it is a recognition of real limitations on the possibility of enforcing drastic controls under present circumstances.

Throughout the control agencies, there is an awareness of limits beyond which they cannot go in forcing restrictions at the present time. Neither the public, nor business, nor Congress itself is willing to disregard competing interests. Although some Congressmen are critical of present laxities, others would as strongly oppose a real "get-tough" policy of curtailing the civilian economy. The action of Congress in limiting consumer credit regulation stands as an object lesson to all administrators who might consider going too far. The latter have therefore tried to refrain from diverting materials to such a degree that

(Continued on page 9)

CATTLE FEEDING IN THE CORN BELT

Although the maintenance of cattle-breeding herds and the raising of beef are operations concentrated largely in the states west of the Mississippi River, a major portion of the nation's beef production goes to market by way of the Corn Belt. There, cattle and calves are fed, or "finished," on grain, hay, and concentrates until they are fat enough to yield high quality beef.

Cattle feeding is an integral part of Corn Belt farming. Most of the corn produced is not marketed as such but is used as animal feed. Although a fraction goes to the corn products industry, the largest part is used for feeding hogs, poultry, and dairy cattle, and for fattening beef cattle brought in from farm pastures and Western ranges where they were raised on rough feed.

About half of the cattle put on grain feed in the Corn Belt each year go into the feed-lots during the months of October, November, and December, and are marketed in the winter, spring, and summer of the following year. These cattle command the highest prices at the markets and provide most of the best grade of beef available to consumers.

Originally Fed to Market Corn

The production of beef has been one of the most important phases of agriculture in Illinois since the State was settled. Land cultivated by the pioneers was almost entirely devoted to grain raising, and since wheat was the only grain crop that could be sold for cash, many of the early farmers depended on cattle feeding to make their corn "walk to market."

Beef production in the State was greatly stimulated by the coming of the railroads connecting Illinois with the Atlantic coast. Rail transportation eliminated cattle drives across the Alleghenies which greatly reduced the weight of the steers. By 1860 Illinois ranked second in the nation with 970,800 cattle other than milk cows and work oxen. Almost 100 years later, in 1950, the State had 2,345,000 cattle other than milk animals, including those on pasture as well as those in the feed-lots. Although it is a leading state in number of cattle on feed, Illinois ranks only sixth in the nation in total number of cattle other than cows kept for milk, pointing up the importance of the younger western states in the breeding and raising operations of the cattle industry.

During the Civil War period cattle were still fed on Illinois farms primarily to market corn. Farmers wanted steers entirely corn-fed and at least four years old so they would be large enough to hold the maximum amount of grain. Freight rates for grain were very high but the railroads were eager to get livestock trade. Feeders brought cattle in from the West and fed them as much corn as they would take, often from 20 to 30 pounds per head per day. Illinois cattle today are fed about 15 pounds of grain per day, out of an average daily total of 38 pounds of feed, including grain, protein, hay, and silage, with roughage an increasingly important item in feeder cattle diet.

About 1895, corn and land prices went up so that it was no longer unprofitable to market corn in its original form. Corn Belt farmers continued feeding cattle to supply the increasing demand for beef, specializing in feeding young animals in which a greater proportion of the grain feed goes into building body tissues.

Illinois Ranks Second

The Department of Agriculture reports that Illinois had 489,000 head of cattle on feed on January 1, 1951, ranking second to Iowa, both at that time and over the five-year period from 1945 to 1949. By October, after the fall marketing season was well under way, Illinois farmers had only 222,000 head of cattle and calves on grain feed, 21 percent less than the number on feed a year ago. It was estimated that farmers in the 11 Corn Belt states had 9 percent fewer cattle on feed this summer than in 1950, but 22 percent more than in 1949.

Almost half of the choice and prime beef steers sold through the Chicago market, the nation's largest cattle slaughtering center, are marketed by Illinois feeders. Chicago is the principal marketing place for cattle finished in Illinois and their share of the choice and prime beef market has risen from 26 percent in 1925 to 47 percent in 1950.

Monmouth, Illinois, claims to be the prime beef center of the world. A large percentage of farms in Warren County, of which Monmouth is the county seat, practice beef feeding and breeding. The area is said to include some of the country's outstanding cattle feeders who consistently top the market with their high quality beef.

DeKalb is the leading Illinois county in number of cattle on feed, followed by Henry, Kane, Bureau, McLean, and Warren counties. The northwest area of the State had the largest number of feeder cattle in 1950, with the northeast ranking second. Together they account for 50 percent of the cattle on feed in Illinois.

Beef Production Increasing

On January 1, 1951, the number of cattle on feed in the nation was the largest on record, 4,656,000 head. The reduced number in feed-lots this summer was the result of shortened grain-feeding periods rather than any general cutback in beef production.

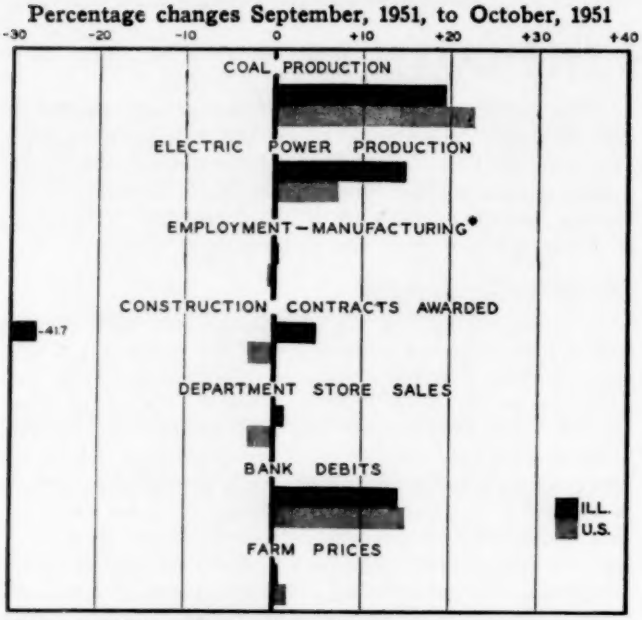
We have more beef on the hoof than ever before. Because of favorable prices for cattle the last few years producers have tended to retain young stock for breeding, a trend expected to continue from one to three years. Cattle numbers on farms traditionally move up and down through long swings, and in building up their herds farmers held back 6 million head in 1949 and 1950, a two-year period in which total slaughter was 57 million cattle and calves. They are probably holding back 6 million more this year, which will carry the number of beef cattle in the nation to a new record high of 90 million head by January. Heavier marketings are expected in 1952, with beef supplies up as much as 11 percent.

KNOW YOUR STATE

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes September, 1951, to October, 1951



*August, 1951, to September, 1951

ILLINOIS BUSINESS INDEXES

Item	October 1951 (1935-39 =100)	Percentage Change from Sept. 1951	Percentage Change from October 1950
Electric power[1]	327.5	+14.9	+ 6.6
Coal production[2]	126.9	+19.4	− 6.3
Employment—manufacturing[3]	n.a.	+ 0.2[a]	+ 1.7[b]
Payrolls—manufacturing[3]	n.a.	....	....
Dept. store sales in Chicago[4]	237.3[c]	+ 1.2	+ 3.5
Consumer prices in Chicago[5]	193.5[d]	+ 0.9	+ 7.3
Construction contracts awarded[6]	453.5	+ 4.8	− 0.0
Bank debits[7]	371.7	+14.1	+12.0
Farm prices[8]	276.4	+ 0.6	+15.8
Life insurance sales (ordinary)[9]	211.0	+17.2	+ 4.8
Petroleum production[10]	232.4	+ 4.7	− 1.3

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] August to September, 1951. [b] September, 1950, to September, 1951. [c] Seasonally adjusted. [d] New series. Old series index for October was 194.4. n.a. Not available.

UNITED STATES MONTHLY INDEXES

Item	October 1951	Percentage Change from Sept. 1951	Percentage Change from October 1950
	Annual rate in billion $		
Personal income[1]	257.5	+1.5	+10.0
Manufacturing[1]			
Sales	264.0[a]	+6.3	+ 6.3
Inventories	41.3[a, b]	+0.5	+33.6
New construction activity[1]			
Private residential	11.2	−0.1	−25.2
Private nonresidential	10.3	−9.4	+10.0
Total public	10.8	−5.8	+20.7
Foreign trade[1]			
Merchandise exports	13.8	−6.3	+27.4
Merchandise imports	10.0	+16.0	− 9.8
Excess of exports	3.9	−37.4	....
Consumer credit outstanding[2]			
Total credit	19.5[b]	+0.9	+ 0.7
Installment credit	13.2[b]	+0.0	− 1.7
Business loans[2]	20.6[b]	+2.4	+26.0
Cash farm income[3]	51.6	+27.0	+19.0
	Indexes (1935-39 =100)		
Industrial production[3]			
Combined index	219[a]	0.0	+ 1.4
Durable manufactures	274[a]	+0.7	+ 5.0
Nondurable manufactures	189[a]	−1.6	− 3.6
Minerals	171[a]	+2.4	+ 3.0
Manufacturing employment[3]			
Production workers	162[a]	−0.6	− 1.2
Factory worker earnings[4]			
Average hours worked	108	−0.5	− 2.2
Average hourly earnings	270	+0.1	+ 7.5
Average weekly earnings	291	−0.4	+ 5.1
Construction contracts awarded[5]	445	−2.9	− 7.4
Department store sales[2]	303[a]	−2.9	+ 4.1
Consumers' price index[4]	187[c]	+0.4	+ 6.7
Wholesale prices[4]			
All commodities	221	+0.3	+ 5.4
Farm products	253	+1.7	+ 8.2
Foods	240	+0.8	+ 9.9
Other	205	−0.1	+ 3.2
Farm prices[3]			
Received by farmers	277	+1.7	+10.4
Paid by farmers	218	+0.4	+ 7.5
Parity ratio	105[d]	+1.9	+ 1.9

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] As of end of month. [c] New series 187.4; old series 187.8. [d] Based on official indexes, 1910-14 = 100.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item		1951 Nov. 24	Nov. 17	Nov. 10	Nov. 3	Oct. 27	1950 Nov. 25
Production:							
Bituminous coal (daily avg.)	thous. of short tons	2,018	1,993	1,907	1,877	1,928	1,834
Electric power by utilities	mil. of kw-hr	7,157	7,333	7,396	7,319	7,234	6,508
Motor vehicles (Wards)	number in thous.	78.1	112.8	109.7	111.7	114.6	116.0
Petroleum (daily avg.)	thous. bbl.	6,145	6,151	6,119	6,205	6,257	5,813
Steel	1935-39 = 100	232.2	226.4	226.2	234.0	230.4	221.9
Freight carloadings	thous. of cars	711	814	791	838	864	702
Department store sales	1935-39 = 100	355	374	366	349	327	319
Commodity prices, wholesale:							
All commodities	1926 = 100	177.2	177.3	177.2	177.0	177.1	172.0
Other than farm products and foods	1926 = 100	165.1	165.2	165.2	165.1	165.1	163.8
28 commodities	August, 1939 = 100	325.9	328.8	328.9	326.7	328.8	343.1
Finance:							
Business loans	mil. of dol.	20,872	20,848	20,667	20,571	20,472	16,998
Failures, industrial and commercial	number	149	109	150	143	155	146

Source: *Survey of Current Business, Weekly Supplements.*

RECENT ECONOMIC CHANGES

Production Maintained

Preliminary estimates of November industrial production indicate that the September and October rate of 219 (1935-39 = 100) was maintained. Steel production was only slightly below the October level; operations scheduled at 102.4 percent of rated capacity produced an average of 2,048,000 net tons of ingots and castings weekly. Automotive production dropped still lower, from a weekly average of more than 112,000 during October to less than 105,000 during November. Total production for the month was estimated at 455,000 cars and trucks.

For more than a year, industrial production has been raised or maintained by durable production, as shown by the accompanying chart. Nondurables have remained level or fallen off because of a drastic slackening of consumer demand and the accumulation of large stocks in many lines since early this year.

Between July and December of 1950, the important durable-goods industries showed substantial rises: iron and steel production, up 11 percent; machinery, 21 percent; nonferrous metals, 12 percent; and transportation equipment, 7 percent, the latter despite a drop in the output of automobiles. Total durables rose by 14 percent. Since January, 1951, the rise has slowed considerably, the October index of durables output being only 2 percent over the January level.

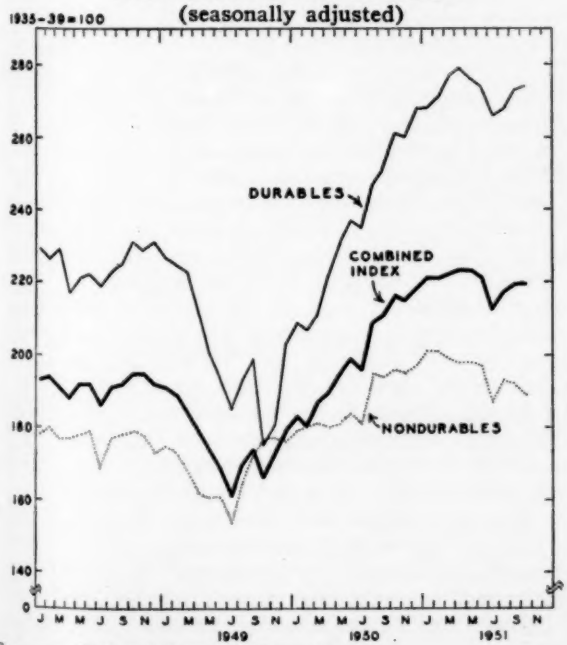
Foreign Investment Income Rises

Income received by American investors from business interests abroad continued to rise in 1950. At a little better than $1.7 billion (excluding equity of $443 million in undistributed earnings), gross income from foreign investments was more than double the amount earned in 1946, and nearly one-fourth higher than 1949 income. Returns on direct investments represented by far the larger portion of receipts, 84 percent; interest and dividends on portfolio investments contributed another 10 percent, and Federal government income accounted for the remainder. A shift from investments in public utilities into manufacturing and petroleum, where returns are larger, has been a major reason for the increase in earnings from direct investment.

During the five years 1946-50, direct investments in foreign countries earned a total of nearly $7.5 billion, approximately half of which was retained abroad. About two-thirds of the income returned to the United States during that period came from the Western Hemisphere, 40 percent from South and Central America and 26 percent from Canada.

Payments to foreign investors in American business also doubled from 1946 to 1950, rising from $216 million to $437 million. Funds invested here by foreigners have been placed mainly in stocks and bonds, so that more than half the total payments of $1.5 billion over the 1946-50 period represented returns on such portfolio investments. Western European investments still represent the larger portion of foreign holdings in the United States, despite wartime sales, so that their holders receive 70 percent of our total payments to foreigners on investment account.

INDUSTRIAL PRODUCTION
(seasonally adjusted)



Source: Federal Reserve Board.

Employment Down Seasonally

Employment dropped seasonally during November as farm and other outdoor work was cut by the onset of winter weather. The drop of more than 600,000 in agricultural employment was only partially offset by a small rise in other work. Many of those whose usual work was halted either found other jobs or left the labor force, so that the rise in unemployment was only 200,000.

Bureau of Census data, in thousands of workers, are as follows:

	November 1951	*October 1951*	*November 1950*
Civilian labor force	63,164	63,452	63,512
Employment	61,336	61,836	61,271
Agricultural	7,022	7,668	7,551
Nonagricultural	54,314	54,168	53,721
Unemployment	1,828	1,616	2,240

In addition to the number of workers employed in nonagricultural jobs, the number of hours worked weekly is arousing considerable interest. As yet there has been no general increase in the length of the work week; as a matter of fact, there was a decline of nearly an hour from October, 1950, to October, 1951, to 40.4 hours. Instead, many nondurable-goods industries were showing lower than average weeks, whereas workers in many durables lines, such as ordnance and machinery, were putting in as much as four hours overtime per week during October.

Wholesale Price Index Revised

The Bureau of Labor Statistics has announced that, beginning with January, 1952, its index of wholesale prices will be based on the 1947-49 average rather than on 1926. The revision will be the first major overhauling of the index in about 15 years. Weights for groups, subgroups, and product classes will be assigned according to the value of sales in 1947, the only postwar year for which complete manufacturing sales data are available. In addition, the index will be broadened to cover about 2,100 items instead of the 900 formerly included. Items such as plastics which have been developed during or since the war will be incorporated; and some classes inadequately covered by the old index will be given better representation. The new index will be linked to the old as of January, 1947.

National Product Level

In contrast to the substantial increases each quarter since the beginning of 1950, gross national product in the third quarter of 1951 remained steady at an annual rate of $328 billion. For the first three quarters of this year, GNP averaged $325 billion, almost 15 percent above 1950's $283 billion. Of the increase, about half represented a rise in physical volume and the other half reflected higher prices.

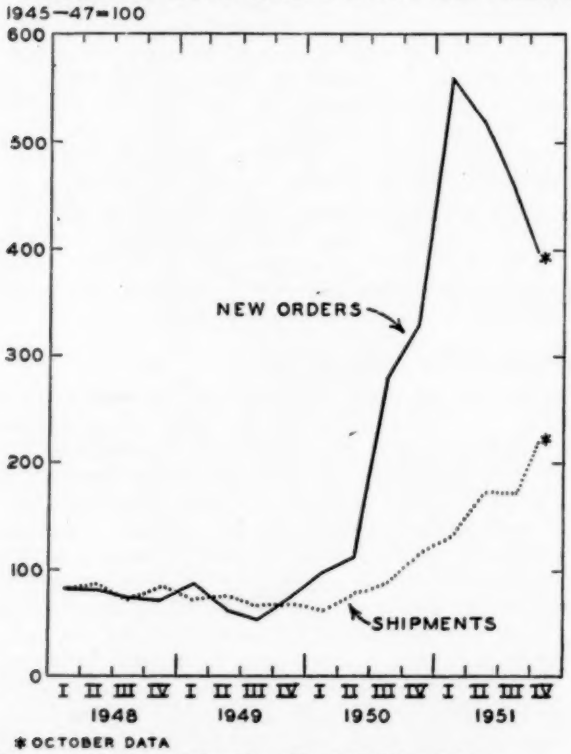
The largest portion of the increase since the third quarter of 1950 has been absorbed by government purchases. Inventory liquidation has cut total private domestic investment from the high level of early 1951, but new construction and additions to producers' durable equipment continued to take place at a rapid rate. Net foreign investment shifted from a negative balance of $3.2 billion to a positive investment abroad of $1.2 billion.

Federal government defense expenditures rose by about $6 billion quarterly (annual rates) to $38.5 billion for the third quarter, three times the level for the first half of 1950. Other large increases in government purchases are in prospect as defense goods now in the blueprint and production stages are delivered.

Defense mobilization has also been an important factor in the domestic investment sector of the economy. Expansion of plants engaged directly or indirectly in defense production is cited as the chief reason for the doubling of the 1950 industrial building rate during the first nine months of 1951. Much of the remainder appeared in the public utility industry, where sizable additions were being made to electricity-generating capacity.

In addition, inventories of raw materials and work in progress on defense orders are believed to account for an increasing portion of business inventories, whereas stocks of civilian goods are being brought more nearly into line with sales.

MACHINE TOOL ORDERS AND SHIPMENTS



Source: National Machine Tool Builders' Assn.

There has also been a marked slowing of the rate of buying by consumers, especially in the durable-goods component, since the beginning of 1951. Purchases of nondurables have remained at a high level, and expenditures for services have advanced. Several factors have affected the buying of durable goods: earlier scare buying ahead of needs, increasing resistance to price rises, plentiful supplies, and credit controls.

The sizable shift in the foreign-investment component between the third quarter of 1950 and the third quarter of 1951 reflects a change from a substantial import surplus to a small excess of exports. Improvements in financial conditions abroad last year, increased import requirements because of defense, and small harvests in many countries have caused the increased buying from us.

GROSS NATIONAL PRODUCT OR EXPENDITURE

(seasonally adjusted, billions of dollars at annual rates)

	3rd Qtr. 1951	*2nd Qtr. 1951*	*3rd Qtr. 1950*
Gross national product	327.6	327.8	287.4
Personal consumption	202.5	201.7	202.5
Durable goods	25.3	25.9	34.3
Nondurable goods	110.0	109.5	105.5
Services	67.2	66.2	62.7
Domestic investment	55.7	65.6	47.3
New construction	21.5	22.5	23.5
Producers' durable equipment	28.1	27.2	24.5
Changes in business inventories	6.1	15.9	−.7
Nonfarm inventories only	5.1	14.8	−1.8
Foreign investment	1.2	.0	−3.2
Government purchases	68.2	60.4	40.8
INCOME AND SAVINGS			
National income	n.a.	274.3	245.8
Personal income	253.2	249.9	227.3
Disposable personal income	224.7	221.8	207.1
Personal saving	22.2	20.1	4.6

Machine Tool Bottleneck

With the recent report of the Senate Preparedness Committee, the severe shortage of machine tools has been re-emphasized. Beginning with the third quarter of 1950, new orders rose sharply to 560 percent of the 1947-49 average but are now down to about 400 percent of the base period. Shipments, on the other hand, have risen much more slowly and are now a little more than 220 percent of the base average (see accompanying chart).

Productive capacity in the industry itself is a major problem. Even before the end of the second World War, machine tool builders were finding a slackening market for their output; by the time reconversion was finished, many producers had either gone out of business or had shifted into other lines. Since the war began in Korea, demand from heavy industries has been so great that the ratio of unfilled orders to the demonstrated monthly production rate has risen steadily and is now about 23 to 1.

Three methods of stepping up output are available: increasing capacity of existing producers, government building of new facilities, and subcontracting. In the first two cases, obtaining the new tools necessary is a major headache in itself. In the third case, idle capacity would have to be found among producers of heavy equipment and earlier experience has shown that prices would be higher because of the added production step.

In order to alleviate the difficulty, pools of equipment have been set up so that available tools will be in use more steadily. Tool builders have been given top priorities on their own products, the government is clearing the way on materials allocations, and producers are working longer hours to make full use of available labor.

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Military Packaging

The Defense Department has announced publication of a new manual on preserving, packaging, and packing military supplies to be used by the armed forces. The manual, available from the Government Printing Office as Army TM 38-230, is expected to reduce losses on stores because of inadequate or improper packaging. It will also be useful to industry since it covers in detail steps necessary to protect stores so they will get to their ultimate destination in a ready-for-issue condition.

Plastics Drill

A fast, long-lasting drill for penetrating thick plastics which lasts three times longer than standard drills and can be made at less cost has been developed by a Westinghouse Electric Company engineer. In the new drill a straight, round shaft, only 40 percent of the diameter of the drill tip, is substituted for the spiral, grooved shaft found in conventional drills which must be fed slowly to prevent overheating and withdrawn often for removal of chips and waste from the drill flutes. The round-shafted drill can be used for long periods of time without overheating or binding and can do a given job many times faster than the conventional type. It is especially useful with plastics materials having a highly abrasive action caused by the presence of glass-fiber and mineral fillers.

Department of Commerce Publications

Small Business Education — 1950 is a booklet providing a list of topics and pertinent references to small business education, arranged both by topics and by level of instruction. The references are designed to be useful also to businessmen confronted with problems in a number of specific fields, including production, marketing, finance, insurance, and personnel. Copies are available for 30 cents from the Chicago office of the U. S. Department of Commerce, 221 North LaSalle Street.

Selling the U. S. Market (135 pages, $1.00) is a marketing guidebook for distributors and manufacturers. It contains comprehensive statistical and descriptive data on the 168 Standard Metropolitan areas in the United States, listing the production centers for 18 different classes of products, and containing 15 distribution studies as well as maps. The bulk of the book is given over to analyses of distribution problems and methods by which they are attacked. It also is available from the Chicago office of the Department of Commerce.

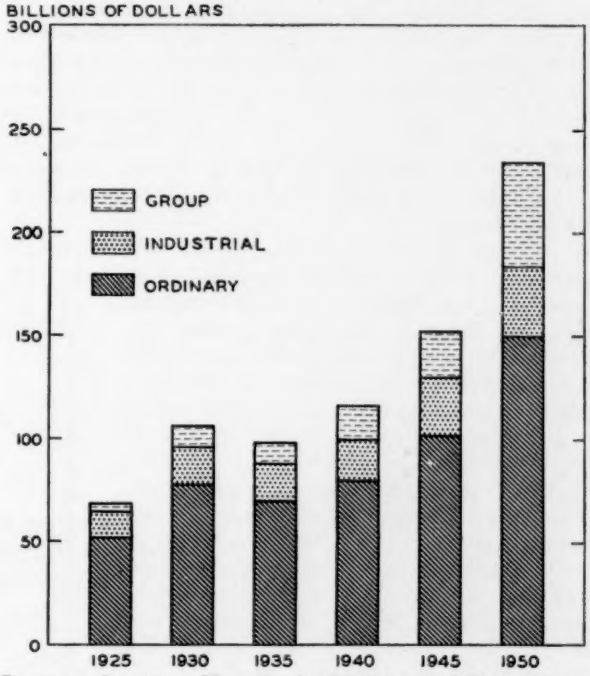
Fungicide for Textiles

A new combination fungicide made by the Nuodex Products Company, Elizabeth, New Jersey, has been developed to make cotton duck resistant to mildew. A dispersible paste that flows at room temperature, the product can be incorporated in textile-treating compositions. It meets government specifications for protecting tarpaulins, barracks bags, arctic sleeping bags, belts, leggings, and truck covers. Various weights of duck used for work gloves and shoes with canvas uppers, as well as lightweight duck used in laminated clothing, can also be treated.

Life Insurance Fact Book

The Institute of Life Insurance, an organization of legal reserve life insurance companies, publishes a booklet each year in order to make available fundamental facts about the life insurance business. Its statistics show increasing recognition of life insurance as a basic implement of family financial protection. In 1900 only 13 percent of the population owned life insurance. Today 55 percent are insured and four out of every five families in the United States own policies. During the past 50 years the number of people owning life insurance has increased eightfold, from 10 million to 83 million, while the population has only doubled. There are now 18 million more policyholders than there were 10 years ago and their average investment has increased by nearly 60 percent. As a result, total life insurance owned by U. S. families at the end of 1950 had risen to a record $234 billion, double the total of 10 years before. As shown on the chart, two-thirds of the gain occurred in the five-year period since the end of World War II, and the share of group insurance is increasing while the proportion invested in ordinary and industrial insurance is going down.

LIFE INSURANCE IN FORCE IN THE UNITED STATES



Sources: *Spectator Year Book;* Institute of Life Insurance.

Pension Plans

A booklet entitled "A Brief Guide to Pension Plans and Profit Sharing Retirement Trusts" has just been published by Drexel and Company, investment banking firm. Although it does not cover the subject in detail, the booklet discusses some of the more important features that should be considered in the adoption of such plans, and points out some of the various advantages.

THE ST. LAWRENCE SEAWAY

ROBERT BANGS, Office of Program Planning, U. S. Department of Commerce

The St. Lawrence Seaway and Power Project, a long-pending program for joint United States-Canadian completion of a 27-foot navigation channel from the Atlantic Ocean to the Great Lakes (see map), and for simultaneous development of the hydroelectric resources of the St. Lawrence River, narrowly failed to win approval of the House Public Works Committee in the first session of the 82nd Congress. As a result of this latest delay, Canadian Prime Minister St. Laurent, in conference with President Truman on September 29, 1951, announced that Canada would proceed to develop the project on its own. President Truman agreed this would be a second-best solution if enabling legislation cannot be secured in the next session. Thus, in January Congress will be faced with what may be the last opportunity for this country to participate in this large-scale navigation and power project, which would bring important long-range benefits to the entire Midwestern region.

Legislative History

The St. Lawrence Seaway has a long history. Advocated by every administration since that of Woodrow Wilson, work on the project has repeatedly been postponed, largely by a combination of opposition interests in which the railroads, the coal mines, and the Atlantic and Gulf Coast ports have been prominent.

In 1919 a joint Canadian-United States Commission began investigations and recommended construction of the Seaway. During the Coolidge and Hoover administrations detailed plans for combined navigation and power development were worked out. In July, 1932, a treaty was negotiated with Canada providing for construction of the project by the two countries. In March, 1934, a Senate majority favored ratifying the 1932 treaty but the measure failed to attain the two-thirds vote required for treaty ratification.

In March, 1941, an agreement embodying provisions similar to the 1932 treaty, but requiring for approval only a simple majority in both the House and the Senate, was signed by the two countries. The outbreak of the war halted further consideration of the Seaway at that time. In the post-war period, although St. Lawrence bills twice have been favorably reported by the Senate Foreign Relations Committee, the project has failed to win floor consideration in the House.

This year's legislative developments began in January, when joint resolutions to approve the 1941 agreement and to authorize construction of the navigation and power works were introduced in both houses of Congress. The Public Works Committee of the House held extensive public hearings and executive sessions from February until June, but on July 26, 1951, tabled the resolution by a vote of 15 to 12. A second bill with slightly different provisions, including a special bond issue and St. Lawrence fund in the Treasury, was introduced October 1 but was also tabled by the Committee without a vote.

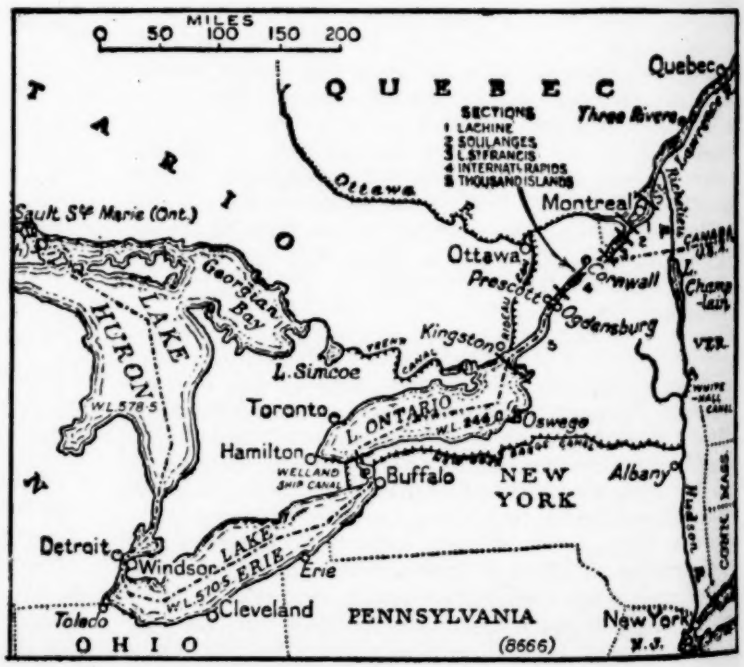
In the Senate, the resolution was not taken up pending House action and because of the greater urgency of military aid legislation and other foreign policy matters. Following the Canadian announcement of intention to build the project alone, a rider authorizing the St. Lawrence work was offered as an amendment to the foreign aid bill but was withdrawn by its sponsors when early consideration of the measure in the second session of the present Congress was promised by the Foreign Relations Committee.

At the opening of the fall session of Parliament the Canadian Government indicated it will seek establishment of a new agency, probably a Crown corporation, to proceed with the St. Lawrence development. If the Canadians carry out their plans the proposed new canals would be relocated to lie entirely within Canadian territory.

Work Remaining and Cost

The remaining work to be done on the St. Lawrence project is primarily in the International and Canadian Rapids Sections of the River, from Montreal to Ogdensburg, New York, a distance of 114 miles. This area is now served by an atiquated system of 14-foot canals; these would be reconstructed to handle ocean-going vessels. The project also contemplates dredging operations in the Detroit and St. Clair rivers, in the Thousand Islands section of the St. Lawrence River, and in the Straits of Mackinac to deepen the channel to 27 feet. The power phase of the project calls for a large dam and power station at Barnhart Island near Cornwall, Ontario. This plant would have a capacity of 1,880,000 kilowatts and would be capable of yielding 6.3 billion kilowatt-hours of energy per year to the U. S. at a cost of 1.77 mills per kwh. This is less than the cost of fuel alone for steam plants in the area.

The total cost of completing the navigation and power works was estimated by the Corps of Engineers in February, 1951, to be $818 million. This would be spread over the 5- to 7-year period needed for the work. Under the 1941 agreement, costs are to be shared equally between Canada and the United States, with Canada receiving



credit for work already completed, including the Welland Canal and improvements in the Thousand Islands section. To date, Canada, with one-tenth our population and lower per capita income, has spent 4 times as much as the United States on seaway development. Thus the estimated cost to the U. S. of the remaining work is $567 million, of which $375 million is allocable to the navigation works and $192 million to the power project.

Cases For and Against Project

In this year's hearings the Administration witnesses, including General Marshall and Defense Mobilizer Charles E. Wilson, emphasized particularly the importance of the Seaway to national defense. Pointing out that the Mesabi iron ore reserves, already depleted by two wars, cannot indefinitely meet all the requirements of our expanding steel industry, these witnesses and others favorable to the program cited the strategic importance of the Seaway as a method of economically transporting iron ore from the newly developed fields in Labrador to existing steel mills in the Great Lakes area. To operate our expanding steel capacity we are now importing iron ore from Liberia and Venezuela, sources that might easily be cut off in time of hostilities.

In addition to strengthening our iron ore supply lines, the Seaway would provide access to additional shipbuilding and repair facilities, would shorten the open-sea portion of shipping routes between the United States and the British Isles, and would eliminate costly rail hauls on American exports originating in Great Lakes cities. In its formal report on the proposed legislation the Defense Department concluded that the St. Lawrence project would have "great industrial and logistic value."

These defense considerations supplement the more familiar reasons for undertaking the project as a sound investment in improving our transportation system. The navigation works would be entirely self-liquidating, with tolls collected from traffic using the Waterway conservatively estimated to be ample to meet all operating costs and amortize the investment of a 50-year period. The power phase would also pay for itself and would supply very low-cost power to an area that is already short and that contains important industrial facilities including a large aluminum plant at Massena, N. Y., recently reactivated. This plant is now served by expensive steam power necessitating a premium price for all aluminum produced there. St. Lawrence power at Barnhart Island would save $3,000,000 per year at this one plant.

Opponents of the project contended that it would be vulnerable in the event of war, would divert traffic from existing railroads and ports, would cost far more than the estimates, and would not actually develop the volume of traffic expected. They also contended it would be of value primarily to foreign rather than to U. S. shipping.

Benefits to Midwest

For the Midwest, completion of the Seaway would bring important advantages, including the attraction of new industries, cheaper freight rates for grain and other agricultural products, and better access to world markets. Conservative forecasts of potential traffic that might develop over the Seaway include 10 million tons per year of United States and Canadian grain, 6 million tons of coal, 20 million tons of iron ore, and 10 million tons of other cargo. Newsprint, scrap iron, pulpwood, fertilizer, automobiles, and flour are all likely to move in volume over the St. Lawrence Waterway.

In 1949 traffic on the Great Lakes amounted to 168 million tons. The old St. Lawrence canals handled almost 8 million tons. This figure could be multiplied manyfold if the Waterway were rebuilt to handle ocean-going vessels.

It has been estimated that American and Canadian agriculture alone would save nearly $5 million per year in transportation costs if the Seaway were in operation. A large part of these savings would accrue to the Midwest. The advantages of making such cities as Chicago, Detroit, Milwaukee, and Toledo ports for ocean-going vessels are obviously great not only for agriculture but for manufacturing and trade as well.

Without the Seaway, major industries such as steelmaking may gradually be forced to relocate nearer to sources of raw material. This would weaken the regional economy of the central states, reduce employment opportunities, and limit the growth of incomes.

As our economy expands, transportation facilities must keep pace with industrial production. The St. Lawrence project is a forward-looking program for developing our natural resources that will pay dividends for years to come. If the project is built by Canada alone we shall lose a measure of control over it and will not have strengthened relations with our nearest neighbor. Our traffic may also have to pay higher tolls than if we join in the program. The time for decision is now.

Anomalies of the War Program

(Continued from page 2)

large pools of unemployment might be created, or that operations of numerous small business concerns would be forced below the break-even point.

To date, there is nothing to indicate that essential war work has suffered from inadequate materials allocations. The supplies allocated have been less than requested, but the requests were highly inflated and would have had to be cut back even if nothing were allowed for purely civilian use. The cutbacks, however, led to new inflations of claims; and it is now reported that demands for some forms of steel, copper, and aluminum for use in the second quarter of 1952 are up to almost 300 percent of the anticipated supply. Obviously, the burden on the control agencies increases. The only response they can make to progressive inflation of requests is progressive increase in cutbacks.

Over-all materials shortages have not yet become a critical issue of the war program, but if the present trend continues, allocations may well become one of the foremost unresolved issues. Without assurance of reason on the part of the claimants and cooperation on the part of the public, it cannot be demonstrated that the go-slow policy of the controllers is unsound.

Thus, for a variety of reasons, the pace of war production is being set with little regard for the over-all program decided upon. Even if Congress restricts new appropriations somewhat as compared with last year, funds are available to keep forging ahead; and even if the program is expanded, the next year or two will be needed to reach present goals, so that only in the more distant future will rates of output be greatly affected. Plans may be debated, approved, and changed. But the realities of the situation will continue to determine what gets done.

VLB

LOCAL ILLINOIS DEVELOPMENTS

All available indexes indicate an expansion in Illinois business activity from September to October as the fall pick-up got under way. Several of the indexes — electric power production, coal production, bank debits, and life insurance sales — showed increases ranging from 14 percent to 20 percent over the previous month. Advances over the level of October, 1950, were fairly general although somewhat smaller than the monthly changes. Steel production in the Chicago district rose 2.3 percent to 1.9 million net tons during October. The rise was due entirely to the longer month, since scheduled operations dropped from 103.7 percent of capacity to 102.4 percent.

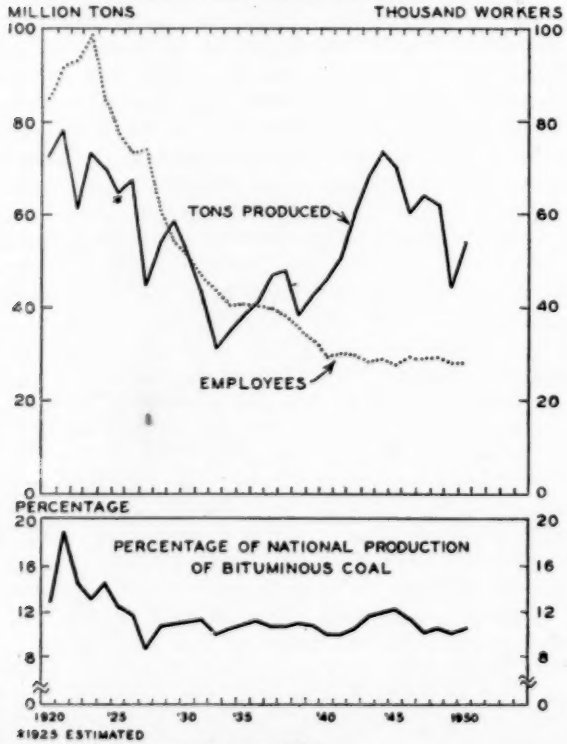
Illinois Coal

The relative importance of the coal-mining industry as a provider of jobs in the State has been declining for many years, as shown by the accompanying chart. Employment in the industry decreased steadily from 99,000 in 1923 to 30,000 in 1940, and has since remained near the 1940 level.

Production has also fallen, but not so sharply because of the major technological advances in coal-mining machinery. Output fell from more than 78 million tons in 1921, when Illinois accounted for 19 percent of national production of bituminous coal, to 31 million tons in 1932, about 10 percent of the national total.

Not until World War II did production again approach the previous high. With the end of the war, production began to slide and dropped to 44 million tons before this downward trend was reversed by the 1950 recovery and Korea. Throughout the ups and down of the last 20 years, the State's share of national bituminous coal production has remained fairly stable except during the war, when it rose to about 12 percent.

ILLINOIS SHIPPING MINES, 1920-1950



Source: *Illinois Coal Report*, 1950.

Prices Level or Rising

The consumers' price index for Chicago rose 0.9 percent during the month ended October 15. All component groups except apparel shared in the increase to 193.5 (1935-39 = 100). Food prices rose 1.7 percent; housefurnishings, rent, fuel-electricity-refrigeration, and miscellaneous goods and services showed fractional rises.

Agricultural prices rose two index points from September 15 to October 15, to 308 (1910-14 = 100). Only feed grain and hay and fruits declined; all other groups showed slight increases. Prices paid by farmers were up only one index point to 283, causing the parity ratio to rise from 103 to 105.

Road Program

The State's highway improvement project hit a snag in November, when a circuit court declared unconstitutional that part of the recently-passed highway finance bill which raised truck license fees. Until a final decision on the matter is reached, truck licenses will be issued according to the old schedule of fees. Originally, the higher rates were expected to produce $20 million annually for road maintenance and construction during 1952 and 1953, and an additional $8 million during 1954.

During the fiscal year beginning July 1, 1952, Illinois will receive $21.6 million from Federal highway aid funds totaling $500 million for the year. The State's share will be divided about as follows:

Federal-aid highways	$8,518,000
Feeder roads	4,639,000
Urban highways	8,466,000

Construction Contract Awards Rise

Construction contracts awarded during October rose nearly 5 percent to $75.4 million. All three major components — residential, nonresidential, and public works and utilities — increased, with the largest gain, 8.3 percent, occurring in nonresidential building. Manufacturing building is still marked by considerable strength; during October permit valuations rose from $4.2 million to $6.6 million. Compared with last year, nonresidential contracts were down only 1.4 percent, whereas residential contracts awarded were off 13.3 percent.

Despite building controls, the 1951 ten-month total was 2.1 percent over the corresponding period of 1950. A 3.8 percent gain in nonresidential building offset a drop of 5.3 percent in residential building.

Construction of new facilities and expansion of existing plant for petroleum processing and chemical production are accounting for an important part of total construction in Illinois. Shell Oil will soon undertake an improvement and expansion program to raise daily production capacity at the Wood River refinery by 2,100,000 gallons to 7,140,000 gallons. The $42,500,000 project is expected to take three years for completion.

At Tuscola the newly-formed National Petro-Chemicals Corporation has acquired land for the construction of a plant to produce chemicals such as ethane, propane, and natural gasoline from natural gas. The estimated cost of the plant is put at $32 million.

Some relief from the sulfur shortage will be obtained when a $1.6 million plant at East St. Louis for production of sulfuric acid goes into operation early next year. New equipment will allow the Allied Chemical and Dye Corporation to reclaim sulfuric acid used in oil refining.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

October, 1951

	Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS	$24,366[a]	846,736[a]	$489,412[a]		$11,587[a]	$13,016[a]
Percentage Change from Sept., 1951	−13.6	+5.6	+3.4	+11.6	+14.1	+18.0
Percentage Change from Oct., 1950	−15.0	+2.2	−0.6	+8.2	+12.0	+13.4
NORTHERN ILLINOIS						
Chicago	$17,791	656,675	$356,015		$10,426	$11,429
Percentage Change from Sept., 1951	−11.0	+2.7	+3.5	+11.3	+13.4	+18.2
Percentage Change from Oct., 1950	−51.8	+0.8	−1.7	+6.9	+11.4	+13.5
Aurora	$ 304	n.a.	$6,995		$ 47	$ 85
Percentage Change from Sept., 1951	−32.6		+5.1	+1.7	+12.8	+2.0
Percentage Change from Oct., 1950	+26.7		+5.3	+5.8	+18.1	+4.1
Elgin	$ 434	n.a.	$5,083		$ 29	$ 102
Percentage Change from Sept., 1951	+12.1		+3.0	0.0	+1.1	+58.6
Percentage Change from Oct., 1950	+30.3		+1.5	+15.6	+11.1	+37.1
Joliet	$ 420	n.a.	$9,252		$ 54	$ 79
Percentage Change from Sept., 1951	+1.7		−3.2	+0.1	+10.1	+29.6
Percentage Change from Oct., 1950	−41.1		+5.7	+6.3	+18.6	+48.3
Kankakee	$ 131	n.a.	$4,578		n.a.	$ 37
Percentage Change from Sept., 1951	−30.7		+4.5	+4.3		+30.5
Percentage Change from Oct., 1950	−47.4		+1.8	+10.9		+10.1
Rock Island-Moline	$1,132	17,367	$10,289		$ 38[b]	$ 159
Percentage Change from Sept., 1951	−35.6	+4.4	+7.6	n.a.	+13.9	+35.6
Percentage Change from Oct., 1950	+39.6	+18.1	+12.1		+23.2	+11.8
Rockford	$ 847	25,213	$15,157		$ 132	$ 160
Percentage Change from Sept., 1951	−35.1	+7.4	+2.2	+6.2	+6.5	+23.0
Percentage Change from Oct., 1950	+17.3	+1.5	+5.2	+3.5	+17.1	+9.1
CENTRAL ILLINOIS						
Bloomington	$ 188	5,458	$5,050		$ 56	$ 98
Percentage Change from Sept., 1951	+43.5	+8.8	+6.4	n.a.	+21.6	+28.7
Percentage Change from Oct., 1950	−44.7	+13.0	−4.4		+12.6	+12.6
Champaign-Urbana	$ 176	7,781	$7,176		$ 64	$ 86
Percentage Change from Sept., 1951	−56.4	+20.0	+13.0	n.a.	+36.6	−38.8
Percentage Change from Oct., 1950	−16.6	+9.8	+1.9		+19.5	−1.9
Danville	$ 214	7,175	$5,701		$ 43	$ 59
Percentage Change from Sept., 1951	0.0	−7.3	+2.7	+10.8	+4.5	+38.3
Percentage Change from Oct., 1950	+92.8	+8.7	+1.1	+23.8	+20.3	+14.3
Decatur	$ 658	20,155	$9,045		$ 135	$ 102
Percentage Change from Sept., 1951	+131.7	+21.1	+2.8	+9.9	+69.9	+33.7
Percentage Change from Oct., 1950	−1.6	+14.0	−1.8	+19.3	+30.4	+25.6
Galesburg	$ 98	5,546	$3,944		n.a.	$ 32
Percentage Change from Sept., 1951	−38.0	+14.0	−0.8	n.a.		−58.6
Percentage Change from Oct., 1950	−84.2	+13.0	+1.2			+13.6
Peoria	$ 195	45,207[c]	$15,477		$ 232	$ 193
Percentage Change from Sept., 1951	−74.4	+76.1	−1.0	+18.6	+22.3	+26.3
Percentage Change from Oct., 1950	−69.8	+1.5	−6.9	+7.3	+13.4	+10.8
Quincy	$ 277	6,558	$4,707		$ 40	$ 76
Percentage Change from Sept., 1951	−36.6	+1.7	+4.0	+9.0	+24.8	+44.6
Percentage Change from Oct., 1950	−31.3	+1.4	+2.2	+6.0	+16.5	−0.1
Springfield	$ 365	23,196[c]	$13,357		$ 94	$ 195
Percentage Change from Sept., 1951	−52.0	+5.7	+6.1	+67.1	+11.5	+21.6
Percentage Change from Oct., 1950	−36.1	+14.8	+2.7	+68.4	+10.1	+7.4
SOUTHERN ILLINOIS						
East St. Louis	$ 161	11,454	$9,144		$ 166	$ 49
Percentage Change from Sept., 1951	−39.9	−1.2	+1.4	n.a.	+25.4	+13.3
Percentage Change from Oct., 1950	−39.7	+15.4	+10.0		+19.8	−0.1
Alton	$ 94	10,469	$4,488		$ 30	$ 27
Percentage Change from Sept., 1951	−52.3	−4.8	+3.8	n.a.	+7.0	+22.0
Percentage Change from Oct., 1950	−66.3	−6.0	+6.1		+9.8	+18.2
Belleville	$ 881	4,482	$3,954		n.a.	$ 48
Percentage Change from Sept., 1951	+961.4	−7.8	−1.6	n.a.		+26.4
Percentage Change from Oct., 1950	+533.8	+12.2	+8.7			+40.3

Sources: [1] U. S. Bureau of Labor Statistics. Data include Federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for September, 1951, the most recent available. Comparisons relate to August, 1951. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. [5] Local post office reports.

[a] Total for cities listed.

[b] Moline only.

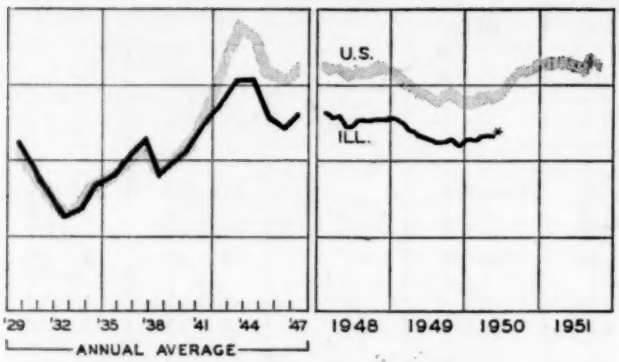
[c] Includes immediately surrounding territory.

n.a. Not available.

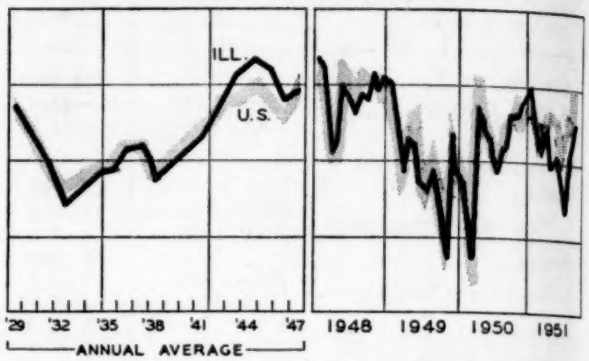
INDEXES OF BUSINESS ACTIVITY

1935-1939 = 100

EMPLOYMENT–MANUFACTURING



COAL PRODUCTION



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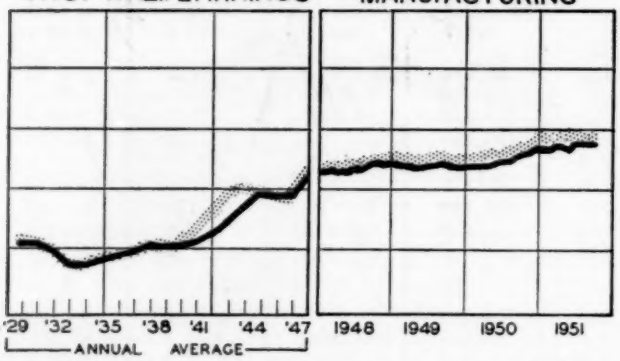
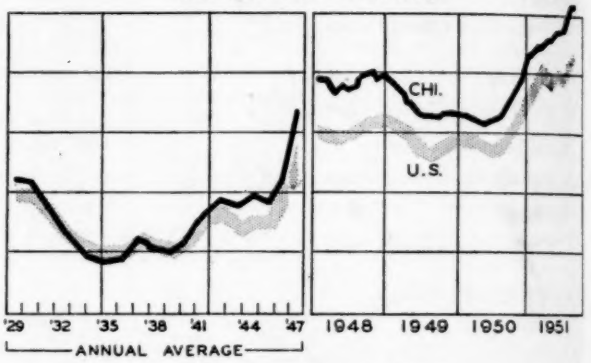
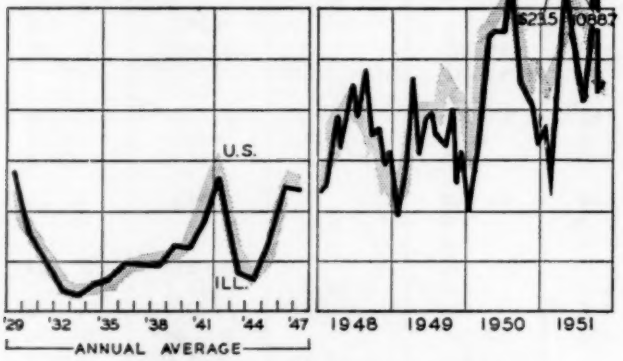


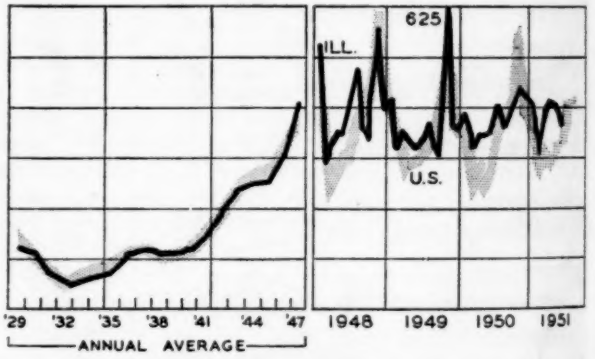
BUSINESS LOANS



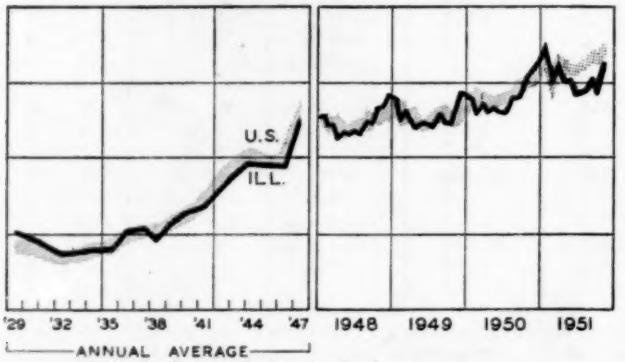
CONSTRUCTION CONTRACTS AWARDED



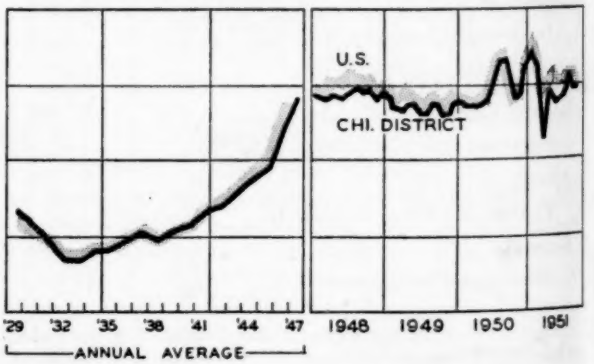
CASH FARM INCOME



ELECTRIC POWER PRODUCTION

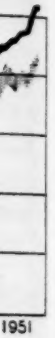


DEPARTMENT STORE SALES



* Illinois figures being revised.

1951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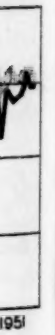
1951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